

MINUTES OF ROANOKE CITY AUDIT COMMITTEE

October 3, 2005

1. CALL TO ORDER:

The meeting of the Roanoke City Audit Committee was called to order at 1:12 p.m. on Monday, October 3, 2005, with Chair, Dr. M. Rupert Cutler, presiding.

- **The roll was called by Mrs. England**

Audit Committee

Members Present: Dr. M. Rupert Cutler, Chair
Mayor C. Nelson Harris
Vice-Mayor Beverly T. Fitzpatrick, Jr.
Sherman P. Lea
Brenda L. McDaniel

Audit Committee

Members Absent: Alfred T. Dowe, Jr.
Brian J. Wishneff

Others Present: Mike Tuck, Assistant Municipal Auditor
Darlene L. Burcham, City Manager
William M. Hackworth, City Attorney
Jesse A. Hall, Director of Finance
Rolanda Russell, Asst. City Manager for Community Development
Jim Grigsby, Acting Asst. City Manager for Operations
Mary Parker, City Clerk
Bob Bengtson, Director of Public Works
Ken King, Manager of Transportation
Cheryl Ramsey, Auditor
Doris England, Administrative Assistant

2. INTERNAL AUDIT REPORTS:

- A. Audit Findings Follow Up
- B. Police Department Cash Funds
- C. Sheriff's Canteen Fund & Jail Inmate Fund

Dr. Cutler ordered that internal audits A through C be received and filed. There were no objections to the order. Dr. Cutler noted that Municipal Auditor, Drew Harmon, was out of town attending an auditor's conference and Assistant Municipal Auditor, Mike Tuck, would be addressing the Audit Committee on his behalf. Dr. Cutler recognized Mr. Tuck for comments on each of the audits beginning with the Audit Findings Follow Up.

Mr. Tuck explained that the Audit Findings Follow Up is done each year to follow up on all outstanding findings and confirm that each department's action plan is actually completed. This year there were 14 findings to check on; nine of the action plans were completed within the fiscal year. Mr. Tuck stated there were some outstanding issues associated with the remaining five findings. In some instances, significant progress has been made in implementing the actions. All of that information is provided within the audit report. Mr. Tuck asked for any comments or questions related to this audit. Dr. Cutler asked Ms. Burcham if she would like to make some comments as to the progress on these findings that have not cleared. Ms. Burcham said several of these were in progress, as Mr. Tuck noted, but were not completed at the time of the audit. For example, the Civic Center finding states a completion date of December 2005. Upon receiving a copy of this audit, Ms. Burcham stated that she contacted Mina Boyd, who said the Civic Center would be able to comply with this finding by December 2005 and perhaps earlier. In the case of the Department of Technology, that department is in the process of complying with the unique log-ins and passwords for E-911. As for Facilities Management, Ms. Burcham stated that the judgment of the department head and others within that department is that they do not have the expertise within their organization to accomplish this action. They recently asked the Department of Management and Budget to consider assigning someone full time to work with this; and if not, Facilities Management will probably have to engage the services of someone on a temporary basis. The department acknowledges that this activity needs to be done, but has had a number of vacancies and just recently reached full staff of its management personnel. Ms. Burcham stated that Ken Cronin is serving as acting director of General Services, and that has given a fresh set of eyes to look at what is going on in that area.

Ms. Burcham stated that the one finding that disturbs her is the challenge relating to payroll for part time and temporary staff at Parks and Recreation. This occurs when employees are used in multiple program areas. A solution needs to be found, although progress has been made in that there was only one situation noted in this audit and there were initially a number of situations in the prior audit. She said she is hopeful that Mr. Buschor, in checking with his counterparts, will be able to identify a different approach to this that will be more effective. Ms. Russell asked to address the committee on this subject. She stated that Parks and Recreation had been working with the Department of Technology on a system that will kick out duplications. A trial run has been conducted and was successful.

Dr. Cutler asked Mr. Tuck to comment on the Police Department Cash Funds audit. Mr. Tuck explained that this audit is an annual financial audit which is required as part of the accreditation standards for the Police Department. The audit covers the cash funds that the Police Chief maintains custody of and the various fees collected by the department. There were no findings this year, and Municipal Auditing issued an unqualified opinion on the financial statement.

Mr. Tuck asked if the committee members had any questions on the audit. There were none.

Dr. Cutler asked Mr. Tuck to proceed to the Sheriff's audit. Mr. Tuck stated this was also an annual financial audit, and it is required by the Auditor of Public Accounts that the canteen and inmate funds be audited. The inmate funds are the funds of the inmates that are held in trust by the Sheriff, and the canteen funds are the expenses and commissions that are generated from sales to the inmates. There were no findings on this audit, and Municipal Auditing issued an unqualified opinion on the financial statement.

Chairman Cutler asked if there were any further questions regarding the three internal audit reports. There were none.

3. UNFINISHED BUSINESS:

There was no unfinished business to come before the committee.

4. NEW BUSINESS:

- A. Audit Committee Annual Report – June 30, 2005
- B. Municipal Auditing Annual Report – June 30, 2005

Dr. Cutler asked Mr. Tuck if the school engagement letter, referred to on page two of the Audit Committee Annual Report, was a part of the continuing relationship with the schools. He also asked how the Municipal Auditor's relationship with Roanoke Public Schools would be described. Mr. Tuck stated the engagement letter serves as a contractual agreement between Municipal Auditing and the school system. He further stated that this year Municipal Auditing is working on an audit charter with the school system that will be discussed and voted upon at the next school audit committee meeting on October 11, 2005. Mr. Fitzpatrick asked what an audit charter was. Mr. Tuck stated the charter more specifically delineates the department's authority within the organization and the responsibilities of the school audit committee as well as the audit department. Dr. Cutler stated he hoped we maintained a strong relationship with the school audit committee.

Chairman Cutler introduced the Municipal Auditing Annual Report as the next item on the agenda. He noted that the numbers under the headers of *Budget* and *Actual* refer to the number of hours budgeted for an audit and the number of hours it actually took to complete the audit. Dr. Cutler stated there were a number of zeros under the header column of *Actual* on page two of the report. These numbers indicate that Municipal Auditing was unable to get to those audits as had been planned. Dr. Cutler asked Mr. Tuck to comment on the staffing situation within the department. Mr. Tuck stated there was some staffing turnover in the prior year that contributed to the inability to get to

those audits; and another auditor has recently left the city's employment, which will impact the audit plan for this year. Municipal Auditing is currently advertising this position and hopes to fill the position soon. Mr. Tuck stated that just last week another auditor went on maternity leave, and because of having prior knowledge, this was taken into consideration in planning this year's audits.

Another factor that contributed to not getting to the audits as planned last fiscal year was because Municipal Auditing consciously decided to invest a lot of time in the implementation of the Advantage 3 financial system. Mr. Tuck stated it was felt this would be a significant long-term benefit to the office since it would provide exposure to the security setup, the departmental processes involved, and the overall system setup. This financial system is a major system, and it is very key to the audit environment so it was considered to be worthwhile. There were up to three staff members working on Advantage 3 toward the end of that project.

Dr. Cutler asked Mr. Hall about the status of the Advantage 3 project. Mr. Hall stated his project group had met twice with the company representatives, and the company is preparing a plan for either an implementation in February or March, or at the beginning of the upcoming fiscal year. Mr. Hall said it is incumbent on the company, AMS, to prepare a plan that will have few glitches and be ready to go. Mr. Hall stated that even though he dislikes the delay, he wants to be thoroughly convinced the implementation will go well before scheduling it again. Ms. Burcham stated that when the system implementation failed, it was originally decided to wait an entire fiscal year because of other things programmed to be done throughout the year. She stated the vendor is pushing for an earlier implementation because it affects that company's ability to market this product to other organizations and communities. However, Ms. Burcham stated that unless the city can be convinced, it will not take a chance on implementation in any portion of the year, but would rather wait until the beginning of the fiscal year.

Dr. Cutler asked Mr. Hackworth if he had checked to see if the city might recover any costs it may have incurred. Mr. Hackworth stated he had looked into the matter and the city could not recover costs because of the way the contract was conceived and entered into. It was a partnership arrangement and the city was not guaranteed deliverables by a certain date. It would be very difficult to extract anything from the vendor in this case. Dr. Cutler asked if Mr. Hackworth would have preferred the contract to be written in a different way. Mr. Hackworth replied he would. He had recommended some things that were not put in the contract and was assured the city would not have a problem. However, there was a problem; and the things he would have liked to have been in the contract were not there. Mr. Hall responded that the software vendor made concessions on doing additional work that was originally to be performed by internal staff. The vendor has agreed to do those functions, and that will commit more manpower to help assure that the project will be successful. He said he did not know how to put a dollar value on what it cost the city because

it did not go live last July, but the vendor is committing more hours than was in the original contract to do work that city employees were scheduled to do. Therefore, the vendor is making some concessions.

Dr. Cutler asked for any questions or comments on any other issue within the report. There were none.

5. OTHER BUSINESS:

- A. N.A.L.G.A. Peer Review of City of Roanoke Municipal Auditing
- B. Letter from the Auditor of Public Accounts

Chairman Cutler stated the National Association of Local Government Auditors conducted a peer review audit of the city's auditing department and gave the department a clean bill of health. He quoted the following from the letter issued by the peer review team, "Based on the results of our review, it is our opinion that the City of Roanoke's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements during the period of May 18, 2002 through June 30, 2005." Dr. Cutler stated he felt the Audit Committee should be pleased that the city's auditing staff are members of the National Association of Local Government Auditors and that the Municipal Auditor is serving as a peer reviewer of other cities and learning from other cities how they do their auditing business. He congratulated the auditing department on receiving a clean letter.

Dr. Cutler stated the city had received a similar letter from the State Auditor of Public Accounts which read, "We have reviewed the Commonwealth collections and remittances of the Treasurer, Commissioner of the Revenue, Sheriff, and Commonwealth's Attorney of the City of Roanoke for the year ended June 30, 2005. The results of our tests found the constitutional officers complied, in all material respects, with state laws, regulations and other procedures relating to the receipt, disbursement and custody of state funds." The constitutional officers also received a clean letter.

Chairman Cutler stated the preceding two letters will be received and filed. He asked Mr. Tuck for any comments on these letters. Mr. Tuck stated the peer review is a requirement of the Government Auditing Standards, which are followed by the Municipal Auditing department. This is required to be done every three years. Mr. Tuck stated his office had undergone the peer review process five times now. Across the country, not a lot of communities have had that many peer reviews, which is a good process. There was one management comment that involved the Advantage 3 implementation. Municipal Auditing has responded to that, as is indicated in the attachment to the report. Going forward, Municipal Auditing will need to evaluate the work that it does in those areas to make sure there are no conflicts of interest. There are processes in place to ensure that. Dr. Cutler asked if this was a division of labor so that

Municipal Auditing can criticize something without having been involved in it, and Mr. Tuck responded that it was.

Chairman Cutler asked if there were any questions from the members of the committee. There were none.

6. ADJOURNMENT:

There being no further business, the meeting was adjourned at 1:33 p.m.

A handwritten signature in dark ink, appearing to read "M. Rupert Cutler", is written over a horizontal line.

M. Rupert Cutler, Chair